



STATE OF WASHINGTON
DEPARTMENT OF LICENSING
PO Box 9020, Olympia, Washington 98507-9020
REAL ESTATE COMMISSION
REGULAR MEETING MINUTES

DATE: December 3, 2007

TIME: 9:00 A.M.

PLACE: Double Tree at Sea Tac
18740 International Boulevard
Seattle, WA 98007

MEMBERS

PRESENT: Robert A. Spain Jr., Commissioner
Suki Bazan, Commissioner
Paul Chiles, Commissioner
George Pilant, Commissioner
Catherine Moye', Commissioner

MEMBERS

Excused: Liz Luce, Director
Dan Murphy, Commissioner

STAFF

PRESENT: Lee Malott, Administrator
Jerry McDonald, Assistant Administrator
Joan Robinson, Appraiser Professional Licensing Manager
Karen Jarvis, Regulatory Investigations Manager
Gale Mitchell, Administrative Assistant

INTRODUCTORY BUSINESS

CALL TO ORDER

Commissioner Paul Chiles called the Real Estate Commission meeting to order at 9:00 A.M..

9:03:49 AM

A. APPROVAL OF AGENDA

MOTION: Approval of the agenda as published. Motion carried. Motion passed.

9:05:22 AM

B. ROLL CALL: Suki Bazan - Seattle, Cate Moye – Spokane, Paul Chiles - Bellevue, George Pilant - Tacoma, Bob Spain – Yakima, Staff: Jerry McDonald, Lee Malott, Joan Robinson, Karen Jarvis, Gale Mitchell

9:04:32 AM

C. APPROVAL OF SEPTEMBER 25, 2007 MEETING MINUTES

MOTION: It was moved and seconded to approve the September 25, 2007 meeting minutes as published. Motion passed

9:06:47 AM

D. EDUCATION SUB-COMMITTEE REPORT: George Pilant, Chair

9:07:30 AM **1. ARELLO**

The Education Sub-Committee was asked to discuss and determine if the ARELLO course content approval proposal should be approved in the State of Washington. The sub-committee did not have a motion or recommendation to the full Commission. The Education Sub-Committee asked the Commission for more time to receive input on the issue. The Education Sub-Committee has set a date for a conference call January 9, 2008 at 9:00 AM to discuss with Joe McLeary on how the course approval process will work. One goal is to have a recommendation from the Education Sub-Committee in place for the next Commission meeting.

9:08:58 AM **2. Course Approval**

The Education Sub-Committee discussed and reviewed if there is a need for expediting the course approval process. There will not be a recommendation from the Sub-Committee to expedite a new approval process. The Commission discussed the current process that is in place now and determined it is a fair and effective process.

9:09:37 AM **3. Business Management Course Approval**

The Education Sub-Committee would like to recommend that the Commission requests Glen Crellin to make the new curriculum available to the Commissioners and disseminate them on to the ListServe or DOL website.

9:10:03 AM **4. Other Business**

The future Education Sub-Committee meetings will be scheduled before the Commission meetings once the Commission meeting dates have been set and approved for 2008. These meetings will occur on Wednesdays, Thursdays, or Fridays.

An agenda item for the next Education Sub-Committee meeting will pertain to the email from Joe Mcleary reviewing information that is available for course content/availability.

9:18:01 AM

E. CHANGING BUSINESS PRACTICES SUB-COMMITTEE REPORT:
Cate Moye, Chair

9:18:24 AM **1. Fingerprinting**

Jerry McDonald presented an analysis on how the fingerprinting procedure could be implemented. The Washington State Patrol and FBI would charge a \$50.00 application fee per applicant. The fee would have to be paid through DOL and would be a pass through fee. In order for this process to work, there would have to be an increase of two and a quarter FTEs (full time employees) for staffing workload purposes. The cost would be absorbed through the Real Estate Program's budget.

All new licensees would have to submit a fingerprint background check and all existing licensees would have to submit one every six years. Any "inactive" licensees would have to provide a fingerprint background check before their licenses would be placed back to "active" status.

The Sub-Committee would like to implement this process by 2009.

Commissioner Bazan recommended that potential licensees submit fingerprint background check before the pre-licensing process. Commissioner Moye' indicated that many states do require fingerprinting before pre-licensing.

Karen Jarvis replied that the Department did explore a pre-licensing background check option but does not feel that it would be beneficial to have several fingerprinting cards processed until they have passed the exam. If the applicant has falsified information on application, there would be an adjudication process and their license would be revoked within three weeks. Karen Jarvis explained the Department will pre-approve the licensees or inform them prior to taking all of the required courses and the exam if they would be eligible to obtain their license per the background check.

Jerry McDonald detailed capital costs for this process would be a \$15,000-\$20,000 for equipment. He stated the \$50.00 application fee would go to the State Patrol and FBI for reimbursement. The FTE positions would be

Customer Service Specialist II positions and the high end salary would be about \$28,000 per year.

Commissioner Bazan was concerned that if the costs to obtain real estate licenses continue to increase, it will discourage possible licensees.

9:27:13 AM **2. Cancelled License Renewal**

Commissioner Moye' related concerns of late and cancelled license renewals. There was a discussion on the number of complaints that go through the Department regarding license cancellations due to improper notification notices. At the sub-committee meeting, Debbie Wright reported there were less than five complaints per year. The Sub-Committee decided not to recommend any changes on the notification process since the number of complaints were minimal.

Commissioner Moye' stated a concern regarding notification to designated broker's license when their license is not renewed timely. The discussion centered on the broker's affiliated licensees. Are the designated brokers being notified of cancellations/expiration? The answer is "no", they are not being notified prior to the expiration date on their broker's license. The cancellation/expiration notices are being sent within sixty days after the expiration date. If the designated broker's license has expired and they renew after the expiration date, they are placed on an audit list. The problem with this is there are licensees working under brokers without current brokers' licenses.

Commissioner Moye' stated the Sub-Committee would like to recommend to the Commission a change regarding the designated broker notification process. The Commission recommends the Department send notification out to the designed brokers no later than thirty days after their license has expired. The Department should make these changes in a timely manner so the expired licenses are on "Active" status.

Commissioner Pilant made a motion the Department of Licensing change the expiration notification process to designated brokers from sixty days to thirty days and not to hold licensees working under the designated brokers responsible.

Commissioner Pilant amended his motion after discussion. The amended motion - The Commission asks the Department to implement a policy change on the license expiration notice to reflect a minimum of a thirty-day expiration notice and other provisions as the Department deems necessary to the designated brokers.

MOTION: It was moved and seconded that a new policy through the Department of Licensing be implemented regarding the expiration notification timeline be changed from sixty to thirty days. Motion passed.

Jerry McDonald stated the change is already taking place and the notification letters to the designated brokers will be sent within thirty days and the Department will also be sending a copy of the letter to the audit manager. The audit manager will contact the brokers or make a visit to the office depending upon the broker's response or lack of response.

9:38:55 AM **3. Other Business**

The decision package on Department outreach efforts will be going before the legislature in January. The package will include funding request for newsletters. There is no guarantee that the proposal will be passed by the legislature. The outreach component will be included in the Department request.

9:48:49 AM

F. MORTGAGE SUB-COMMITTEE REPORT: Suki Bazan, Chair

The sub-committee topics were about predatory lending, licensees, and conflict of interests. The sub-committee recommends that the Commission require a mandatory class on predatory lending to be included in the core curriculum.

Lee Malott has asked Ralph and the Appraisal Group to print out a course summary from ARELLO.

Commissioner Bazan stated the sub-committee discussed junk fees. The Sub-Committee would like to recommend an ongoing outreach and a survey that would include all of the licensees within the State of Washington.

There are concerns that licensees are holding a mortgage broker license and a real estate license. They are required to disclose holding two licenses with DFI (Department of Financial Institutions) and Licensing. What process is in place to monitor individuals who hold two licenses?

MOTION: Commissioner Bazan: Moves the Department of Licensing to conduct a survey of the DFI Mortgage Broker database against the Real Estate database.

AMENDED MOTION: Direct the Department of Licensing to cross reference with DFI to compare how many Real Estate Licensees have Mortgage licenses. If this process proves to be too expensive or too time consuming, the Commission gives authority to the Department to take a reasonable sample and make a determination using the percentages.

MOTION: To cross reference DOL and DFI databases for individuals who hold Real Estate Licenses, Mortgage Broker Licenses, and Loan Originator licenses on the contingency that the process is not too time consuming or costly to conduct such research. Motion moved and seconded. Motion carried.

10:44:21 AM

G. APPROVAL OF DATES AND LOCATIONS FOR 2008 REAL ESTATE COMMISSION MEETINGS

I. March 26, 2008

Planning Session and Commission Meeting

Location: Bremerton Inn & Suites

4303 Kitsap Way, Bremerton, WA 98312

II. June 19, 2008

Commission Meeting & Focus Group

Location: To be determined

City: Bellingham

III. September 23, 2008

Commission Meeting

Location: To be determined

City: Richland

IV. December 9, 2008

Commission Meeting

Location: To be determined

City: Sea Tac

The June 11, 2008 date for Bellingham, Washington has been rescheduled to June 19, 2008. All other locations are set as scheduled.

Motion for 2008 Real Estate Commission Meeting schedule approved.
Seconded. Motion carried.

10:45:44 AM

H. ELECTION OF VICE CHAIR

Nominations for Vice Chair; Paul Chiles

Motion: To nominate Paul Chiles. Motion seconded and carried.

10:46:42 AM

I. UPDATE ON 18.85 REWRITE (May need to assign to Sub-Committee to review new rules developed by Department)

Jerry McDonald: The Department is currently reviewing the changes that have been made to the original draft by the task force committee. We are developing a "Rule Team" that will determine which rules need modification. The intent is the Rule Team will prepare recommendations (if it is passed by legislation) to present to the Commission the rules that should be "stayed" or modified.

There are two main objectives occurring at this time; making comparisons and preparing the rules for review for the Commission.

Commissioner Paul Chiles: I would like to thank everyone for all of your hard work and efforts regarding the 18.85 rewrite.

10:49:07 AM

J. BUDGET REPORT

Request assignment to Sub-Committee for ideas on “Outreach”.

Lee Malott: The transaction report is higher than the forecast. The Real Estate Education Fund is in the early stages of the two-year biennium time period. It is difficult and premature to forecast since we are in to the first three months of the twenty-four month time frame.

Transaction Forecasts are the number of fees or processes from the Department of Licensing such as fees for name changes.

Commissioner Moye’: Are Real Estate funds increasing each year?

Lee Malott: For the last couple of years we have seen an increase in fund balances. There have been times where the fund balance has been almost depleted. Currently, the fund balance is sitting at approximately \$8,000,000.

Jerry McDonald: The passage of 901 could be limited on 960 the increase of fees. We may not be able to increase fees in the future as easily as we can now. This could have an impact on our budget status towards the negative actually spending more than we are taking in.

Lee Malott: The discussion regarding more FTEs could have some impact on our budget.

10:52:59 AM 1. REQUEST ASSIGNMENT TO SUB-COMMITTEE FOR IDEAS ON “OUTREACH”

Commissioner Moye: The Sub-Committee is seeking ideas and suggestions on outreach for review. This is a good opportunity to become more “pro-active” in reaching the licensees more effectively.

Commissioner Paul Chiles: What are some examples of outreach ideas?

Lee Malott: Some examples would be CDs and pamphlets, with information pertaining to what would be considered a good loan, problems relative to variable rate loans, some reversing loans, problems with unverifiable income loans and what types of red flags to be aware of. The perks of what a good real estate agent can provide the consumer as well as what mortgage lenders can do for the consumer. What can be expected during “closing” of a purchase or sale of property especially for the first-time home buyer?

Action:

Commissioner:

Would like the Real Estate Commission to recognize the Department of Financial Institution’s efforts and extend a “special thanks” to them for the

time spent on predatory lending issues and the mortgage crisis that is occurring in Washington State.

The Commission is all in agreement. Action Carried

10:56:13 AM

K. NEWSLETTER

Jerry McDonald: The contract has been signed for \$16,800. The students have been working on the newsletter and have been in contact with Karen Jarvis and Sandy Spencer.

The newsletter is going to be sent to DOL via PDF file and then forwarded to the State Printers. The exact date we will receive the final draft is not yet available.

The goal is to send the first two newsletters as "hard copy" and the rest of the publications would be available on-line at DOL's website in order to reduce production costs.

Commissioner Chiles: Is the request in the decision packet for a printed version or PDF version of the newsletter?

Jerry McDonald stated that the request was for outreach and the newsletter.

Commissioner Pilant was concerned that if the decision package request is denied, there is backup. It is my understanding that the decision package is not a request for one specific project which in this case would be the newsletter.

Jerry McDonald replied the Department would like to designate a Newsletter Sub-Committee so that the content and material of the newsletter can be reviewed before publication. Commissioner Chiles asked if Commissioner Spain would be willing to serve as the chair. Commissioner Spain accepted and Commissioners Pilant and Moye' will be committee members. Commission Bazan will be the backup if Commissioners Pilant and Moye' are unavailable.

Commissioner Pilant stated note that the Sub-Committees position will not be writing the Newsletter but will be reviewing the ideas and content to present to the Commission.

11:07:26 AM

L. APPOINTMENT OF NEW COMMISSIONER TRUSTEE TO WCRER MOTION:

Commissioner Bazan accepted her nomination to become the new Trustee to the WCRER. Motion seconded and carried.

M. WCRER

Glenn Crellin was unavailable to update the Commission at this time.

11:08:55 AM

N. BY-LAWS

Jerry McDonald stated that he is in the process of updating the By-Laws from last year. He asked the Commissioners to please review and if there are any changes or suggestions to please let him know so we can approve them at the next Commission meeting.

11:09:52 AM

OTHER BUSINESS

Commissioner Pilant asked if the legislature does not approve the request for the newsletter, what happens? Jerry McDonald answered, we have already dedicated funds from the Education account for the newsletter. There will be at least two newsletter publications that will be produced even if the legislature does not approve the decision package funding. After the two newsletters are published and legislation does not approve further funding, the Department would not be able to move forward with future publications until next biennium.

Commissioner Bazan reiterated the Commission needs to make a point to request funding in advance so that funding for the Commission is not left out again.

Lee Malott briefed the Commission on a recent Congressional legislation proposal.

The US House on November 15th just passed a bill that addresses mortgage lending and appraisals. Mr. Malott has spoken with Jeff Wortner to see the status of the bill. The senate has not passed this bill yet. This bill has a lot of content which we may want to review as the information will have an impact on our industry. There is an overview that came out from ARELLO on 39.15 regarding prohibition on interested parties in real estate transactions.

Also shared at the Commission meeting were recommendations from the Insurance Commission for the Real Estate Program; implication for multi-agency legislation between DFI, Insurance Commission and DOL. The new proposal would prevent real estate brokers from requiring agents to refer to certain companies or affiliates. Additionally, recommendations are that DOL and DFI have discussions on coordinating rules and enforcement actions for real estate brokers and mortgage brokers. Another recommendation is to implement legislation for all real estate agents to provide some relevant price information.

11:17:52 AM

ADJOURN

Commissioner Chiles: Meeting adjourned.

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